

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 97-764

October 15, 1997

COMMUNITY SERVICE TELEPHONE COMPANY
Request for Approval of
Reorganization and Affiliated
Interest Transactions Regarding
Community Service Long Distance

ORDER APPROVING
REORGANIZATION

WELCH, Chairman; NUGENT and HUNT, Commissioners

In this Order we grant (1) an approval under 35-A M.R.S.A. § 708 for Community Service Telephone Company ("CST") to create an affiliated interest relationship between itself and Community Service Long Distance ("CSLD"); (2) an interim approval under 35-A M.R.S.A. § 707 of transactions between CST and CSLD, and (3) establish the procedure for final approval under 35-A M.R.S.A. § 707. In support of its requests for these approvals, CST stated as follows, and we find:

1. CST is a Maine corporation and operates as a telephone utility and a public utility as defined by 35-A M.R.S.A. § 102. CST is authorized to provide telephone service in the following Maine telephone exchanges: Greene, Leeds, Litchfield, Monmouth, Mt. Vernon, East Winthrop and Winthrop.

2. On August 6, 1997, CSLD, an affiliated interest of CST, filed with the Commission a Petition for Certificate of Public Convenience and Necessity to Operate as a Provider of Competitive Interexchange Telecommunications Services. This matter has been assigned Docket No. 97-525. As noted in Section 4 of the Petition, Community Service Communications, Inc. ("CSC"), is the parent company of both CST and CSLD. Accordingly, CSLD is an affiliated interest of CST, as defined by 35-A M.R.S.A. § 707. The creation of CSC as the parent company of CST was approved by the Commission in its Order Approving Stipulation, dated December 15, 1987, in Docket No. 86-40. The Stipulation in Docket No. 86-40 provided that CSC "shall not invest, either directly or indirectly,

more than \$2,250,000 in its non-utility subsidiaries, without prior Commission approval."¹

3. CSLD was formed as a corporation in June 1995, initially to engage in unregulated telecommunications services. The corporation's name was changed to Community Service Long Distance in April 1997. Since its creation in 1995, CSLD has not been engaged in activities which are those of a public utility. Accordingly, at the time of its creation, the creation of CSLD fell within the scope of the approval in Docket No. 86-40 for investments by CSC in non-utility subsidiaries.

4. If approval of the Application in Docket No. 97-525 is granted, CSLD will start to provide interexchange service and become a telephone utility as presently defined by Section 102(19). The Commission Staff raised the question whether, as a result, the approval in Docket No. 86-40 for "non-utility subsidiaries" continued to encompass CSLD. Although CST has reserved the argument that approval under the Reorganization Statute was not required by virtue of approval of the Stipulation in Docket No. 86-40, it has requested the Commission's approval under Section 708 for the reorganization relating to the creation of CSLD.

5. Because CSLD is an affiliated interest of CST, any contract or arrangement for the provision of services and facilities by CST to CSLD (and the provision of services and facilities by CSLD for CST) also requires Commission approval under 35-A M.R.S.A. §707. While CST claims that the specific nature and terms of such services and facilities is not immediately known, it has requested approval under Section 707 at this time so that CSLD would be able to commence operations immediately. CST requested that approval be subject to the conditions that it file a contract regarding such services and facilities

¹By Order dated December 26, 1996, in *Community Service Telephone Company, Application for Approval of Increase in Investment by Community Service Communications, Inc.*, Docket No. 96-770, the Commission authorized an increase in the investment cap to \$4,000,000. In the Order the Commission stated that the Stipulation approved in Docket No. 86-40 "permitted CSC to invest up to \$2,250,000 (either directly or indirectly) in non-utility subsidiaries without prior Commission approval."

and a cost allocation manual within three months, that it adhere to Part 64 of the FCC regulations, and that the provision of any services or facilities before the filing of the contract and the cost allocation manual will be approved on an interim basis as set forth in the ordering paragraphs.

6. Pursuant to discussions with the Commission Staff in this case, CST has agreed that Commission approvals under Section 708 and 707 will be subject to certain conditions regarding the Commission's continuing jurisdiction, as set forth in the ordering paragraphs.

Accordingly, we

O R D E R

1. The reorganization of Community Service Telephone Company described in the narrative paragraphs 2-4 above is hereby approved pursuant to 35-A M.R.S.A. § 708(2), subject to the conditions contained in these ordering paragraphs.

2. Pursuant to 35-A M.R.S.A. § 707, contracts or arrangements for the provision of goods or services between Community Service Telephone Company and Community Service Long Distance are approved on an interim basis subject to the provisions of ordering paragraphs 5 and 6 below.

3. Consistent with the provisions of 35-A M.R.S.A. §708(2)(A)(1), the Commission shall have reasonable access to the books, records, documents and other information related to CSLD that are relevant to the regulatory responsibilities of the Commission.

4. As part of its annual report to the Commission, CST shall furnish a statement showing the nature and amount of all transactions between CST and CSLD.

5. CST shall allocate the various costs incurred by it in providing services or facilities for CSLD and the costs incurred by CSLD in providing services or facilities for CST, including the time and expenses of employees and the use and transfer of assets, in accordance with Part 64 of the FCC's regulations and according to a cost allocation manual to be developed by CST that shall be consistent with Part 64. The cost allocation manual shall be submitted for approval within three months of the date of this Order. Approval of this cost allocation manual filing shall be delegated to the Director of the Commission's Finance Division.

6. All transactions between CST and CSLD shall require Commission approval to the extent required by 35-A M.R.S.A. §707; Within three months of the date of this Order, CST will file a contract governing those transactions for approval by the Commission. The contract shall be consistent with Part 64 of the FCC's regulations and the cost manual required by Ordering Paragraph 3. Approval of the contract is delegated to the Director of Finance. The Director of Finance shall determine whether the provision of any services or facilities

prior to the filing of said contract is consistent with the contract.

7. Consistent with the provisions of 35-A M.R.S.A. § 707, for ratemaking purposes the Commission shall have the right to review and approve or disapprove costs allocated between or among CST and CSLD.

8. Except as explicitly provided herein, the Commission's approval subject to these conditions shall not limit any parties or the Commission's rights under, or relieve CST of any responsibilities to comply with, any provisions of Title 35-A and the Commission's Rules, including the Commission's remedial powers under section 708(2)(A)(8).

Dated at Augusta, Maine this 15th day of October, 1997.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Hunt